

Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 EUR-03 NSC-04 NSCE-00 INR-01

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FM AMEMBASSY PARIS

TO USMISSION EC BRUSSELS

INFO SECSTATE WASHDC 0847

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LIMDIS GREENBACK

FOLLOWING SENT ACTION SECSTATE JUNE 18 1975

REPEATED FOR YOUR INFO

QUOTE LIMDIS GREENBACK

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT

SUMMARY: GAVOIS, MINISTRY OF FINANCE, REQUESTED MEETING WITH FINATT TO DISCUSS SUBJECT AGREEMENT. GAVOIS STATED MINISTER FOURCADE HAD REVIEWED NEGOTIATIONS TO DATE AND DECIDED THAT NO AGREEMENT IS POSSIBLE ON BASIS OF COMPROMISE PROPOSED BY WEST GERMAN DELEGATE AND DOUBTED THAT ANY AGREEMENT WOULD BE POSSIBLE ALONG LINES BEING NEGOTIATED. GAVOIS STATED THAT "ALL OF US NEED A WAY OUT AFTER SO MANY MEETINGS AND A WAY OUT THAT WILL AT LEAST SHOW SOME PROGRESS," AND THAT IN THE HOPES OF AT LEAST A GENERAL-AGREEMENT THE FRENCH AUTHORITIES HAVE PREPARED AN APPROACH BASED ON THE BENNETT MEMO CIRCULATED AT THE LAST MEETING WHICH THEY ARE DISCUSSING WITH THEIR EC PARTNERS. END SUMMARY.

1. FRENCH APPROACH BASED ON BENNETT MEMO CIRCULATED AT LIMITED OFFICIAL USE

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LAST BRUSSELS MEETING FOLLOWS:

A. EACH GOVERNMENT PARTY TO THE AGREEMENT UNDERTAKES
TO GIVE 7 DAYS ADVANCE NOTICE AND TO OFFER TO CONSULT
WITHIN THAT PERIOD WITH RESPECT TO GOVERNMENT SUPPORT
FOR ANY EXPORT CREDIT BEYOND 2 YEARS WHICH WOULD
INVOLVE:

COUNTRIES WITH PER CAPITA
GNP OF
MORE THAN BETWEEN LESS THAN
\$3,000 \$1,000 \$1,000
& \$3,000

B. MATURITIES BEYOND 5 YRS 8 L/2 YRS 10 YRS
OR

C. INTEREST RATES BELOW
(WITH INSURANCE) 8.5 8 PERCENT 8 PERCENT
PERCENT
(NET EX INSURANCE) 8.25 7.75 7.75
034:3,5 034:3,5 034:3,5

\$. DOWNPAYMENTS OF 20 15 15
LESS THAN PERCENT PERCENT PERCENT

E. EXCEPT FOR CREDITS HAVING A GRANT ELEMENT OF 15
PERCENT OR MORE, WHICH ARE EXCLUDED FROM THE AGREEMENT.

F. ANY PARTY CAN WITHDRAW FROM THE AGREEMENT ON 30
DAYS NOTICE.

G. EACH COUNTRY PARTY TO THE AGREEMENT WOULD CHOOSE
INTEREST RATES EITHER INCLUDING OR EXCLUDING INSURANCE.H. IN FRENCH T
HINKING CREDITS OF MORE THAN 2 YEARS
BUT LESS THAN 5 YEARS WOULD BE 7 PERCENT WITHOUT
CREDIT INSURANCE OR 7.5 PERCENT WITH CREDIT INSURANCE.

2. GAVOIS COMPARED THE ABOVE TO THE PLEDGE ON TRADE
RESTRICTIONS, I.E. A GENERAL UNDERSTANDING THAT WULD
HAVE MORAL FORCE AND WHICH MIGHT EVOLVE AS CIRCUM-
STANCES DEMAND. HE ALSO NOTED THAT THE DISTINCTION
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BETWEEN INTEREST RATES NET EX INSURANCE AND WITH
INSURANCE SHOULD ENABLE JAPANESE AGREEMENT.

3. AS FOR REASONS FOR INABILITY TO ACCEPT WEST GERMAN
COMPROMISE, GAVOIS NOTED (A) THAT CREDIT DURATIONS ARE
LARGELY OPEN; 8B9 OBJECTED TO MORE THAN 5 YEAR TERMS
FOR RICH COUNTRIES; (C) NECESSITY FOR CLEAR LIMITS,
ESPECIALLY FOR THE 2 TO 5 YEAR PERIOD COMPARED TO

OTHER CATEGORIES; (D) CRITERION FOR EXCEPTIONS SHOULD
BE CLEARER; (E) CONSULTATIONS MERELY PERMIT EXEMPTIONS
AND EXCEPTIONS SHOULD BE FOR LARGE-SCALE PROJECTS ONLY;
(F) THE LIMIT ON AID CREDITS IS NOT ACCEPTABLE; AND(G) 7.5 PERCENT IS
NOT AN ABNORMAL RATE AT THE
PRESENT TIME.
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